



Capital Budget Request 2007-09

In keeping with Governor's direction, the work of Global Competitiveness Council, and her Next Washington initiatives this budget proposal advances the state's economy and the vibrancy of communities. Funding for new initiatives in this budget address each of CTED's five strategic goals:

- Prepare the State to Compete in a Global Marketplace: Helping Washington's Businesses;
- Provide Bold Leadership and Exceptional Service: Making It Easier to Do Business with CTED;
- Build Livable, Vibrant Communities: Strategic Investments
- Move Low-Income Families to Self-Sufficiency
- Improve the Health and Safety of Communities and Families

Prepare the State to Compete in a Global Marketplace: Helping Washington's Businesses

When Governor Gregoire convened the Global Competitiveness Council in 2005, she tasked them with achieving three outcomes:

1. The State of Washington will be recognized throughout the world as a place for business to thrive, a hub of distribution for products and services, a source of world-class products and services, and an ideal tourist destination.
2. The State of Washington will be positioned as the most progressive globally-competitive state in the U.S., committed to a world-class educated and trained workforce, quality products and services, and an exceptional business climate; and
3. The State of Washington will have a comprehensive and effective international trade strategy to include relevant state agencies, local and regional government and non-governmental organizations, business, educational institutions, labor, and culture.

To remain at the forefront in the global marketplace, it is mandatory that Washington implement new strategies, expand current efforts, and take advantages of unique opportunities. In order to facilitate successful emergent small businesses and micro-enterprise organizations, additional funding is requested to generate loan capital for small businesses in a partnership program with local communities. Further, in this budget we are requesting funds to help local governments support private economic efforts through job development grant funds.

Small Business Loan Capital

\$2.4 million State Building Construction (Fund 057) and 0.4 FTE

In 2002, the Department of Community, Trade and Economic Development conducted a survey of the revolving loan funds around the state. Survey responses revealed that local loan funds focusing on small businesses and micro enterprise lending were reporting a need for approximately \$2.4 million in new lending capital; the survey did not reach some of the loan funds we are now aware of. Subsequent meetings with micro-enterprise organizations and local lenders confirm this as a minimum estimation of the gap. Therefore we are requesting an investment of \$1.0 million per year in grants to local loan funds would begin to fill this lending capital gap. The remaining monies would support primarily local government administrative needs, with a small portion to cover CTED's administrative support for the program.

Job Development Fund (JDF) Program Project List

\$49.5 million Public Works Trust Fund (Fund 058)

This request implements Engrossed Substitute House Bill 1903 (Job Development Fund). The bill (codified as RCW 43.160.230 and 240 and RCW 43.155.050 (2)) requires a competitive process to create a list of up to \$50 million in Job Development Fund (JDF) projects and an alternate list of up to \$10 million dollars to be incorporated into CTED's 2007-2009 budget request for approval by the 2007 Legislature. CTED received applications for projects totally over \$228 million demonstrating the need is far above available dollars. These lists will take the form of a bill, and the associated funding is requested in CTED's capital budget. . These grant dollars will be provided to local governments in support of private economic development efforts.

Provide Bold Leadership and Exceptional Service: Making it Easier to Do Business with CTED

To create an attractive environment for business, we must provide easy access to CTED's programs within our communities and effectively use available resources. To achieve this service level, new initiatives requested in the operating budget will provide access to capital budget dollars through community based field representatives in six regions. Further CTED is working toward grant and loan application systems that can be submitted on-line and connect with a data warehouse system. By so doing the same entity applying for and interacting with other CTED programs do not have to continually re-submit the same information.

Build Livable, Vibrant Communities: Strategic Investments

CTED is committed to creating strong communities. To target our economic development investments on projects that retain and attract businesses that provide high wage jobs, and address the unfunded demand for projects that came through the Job Development Fund process, this budget proposes \$50 million be made available to the

Community Economic Revitalization Board (CERB). CERB has historically leveraged \$23 of private investment for every dollar granted and has recovered more in loan repayments and new B&O taxes than the amounts issued. CERB has proposed legislation and this capital budget package that will allow it to invest more and more efficiently, and bring more jobs and revenue to communities. The associated operating budget package provides the staffing needed to support the enhanced program. Together, these enhanced and new services will be additional tools for the Community Action Teams to use to help local communities.

Community Economic Revitalization Board (CERB) Program

\$50 million total request: \$7 million Public Facility Construction Loan Revolving Fund (Fund 887 CERB revolving account)-\$43 million State Building and Construction (Fund 057) and 3.0 FTE

This budget request is linked to a legislative proposal that will correct problems in the design of the Job Development Fund Program and integrate CERB's three major programs (Traditional, Rural, JDF) into a single, strategic, statewide economic development infrastructure investment approach. This approach would increase the competitiveness of Washington communities to retain, attract and grow high wage businesses and jobs by using proceeds of state bond sales to increase CERB ongoing biennial investment capacity to \$50 million.

This new capital budget authority will use existing CERB revenues of \$7 million for new investment projects, and requests an infusion of new funding from the proceeds of state bond sales (Fund 057) to be used as additional investment funds. In the past the capital budget appropriation has been provisoed with language that limits the amount of the appropriation available for use as grant funding to 25%. We are requesting that the appropriation specify that loan repayments will return to the CERB revolving account to be revolved as new loans or to support future administrative costs. This request will provide significant repayment revenue to the CERB account in future years provided appropriation language directs repayments to the CERB revolving account.

Move Low-Income and Vulnerable Families to Self-Sufficiency

A vibrant and livable community becomes strong by boosting its low-income and vulnerable residents to self-sufficiency. CTED programs help these citizens by providing affordable and safe housing, supporting food banks, and creating job opportunities.

This budget continues CTED's efforts in focusing on affordable housing and low-income and vulnerable families. Sustaining the commitment of \$100 million to the Housing Assistance, Weatherization, and Affordable Housing program each biennium, as CTED's six-year capital plan proposes, will ensure that affordable housing for low-income families and the homeless is available and no one is left out in the cold.

Housing costs will likely continue to increase at a more rapid rate than personal income. The gap between wages and fair market rents and mortgages is projected to continue to

grow. Two significant, related factors contribute to the disparity: a shortage of affordable units and an increase in housing construction and development costs. Unless there is a holistic approach to meeting housing needs at all income levels Washington's citizens will be polarized into two groups of haves and have nots. The \$100 million, for the next three biennia, in general terms will be divided into target groupings of:

- one third for affordable work force housing for incomes at 60 to 80 percent of AMI (what's the AMI?),
- one third to income groups below 60 percent AMI for mixed income development
- one third to address special needs populations, particularly the homeless.

As a way of preserving affordable housing units, this budget proposes additional funding for land purchases for manufactured home parks. These purchases along with local zoning efforts, will ensure this valuable resource of affordable housing is not lost or displaced.

Manufactured Housing Program

\$16 million State Taxable Building Construction Account (Fund 355) and 0.5 FTE

Manufactured housing (MH) represents a large part of the last unsubsidized affordable housing that is broadly available to low income individuals and families. Increasing property values have made it attractive for developers to purchase manufactured housing and mobile home parks for conversion to other uses. Currently, 26 parks representing a displacement of over 800 households are scheduled to close in the next 12 months. Investing in manufactured housing preservation would prevent some of this loss and diminish the \$1.2 million currently paid by the state annually in relocation costs for those households that are eligible for assistance from the MH Relocation Assistance Program. A \$16 million investment in manufactured housing, primarily the purchasing of parks, would allow the state to preserve a minimum of 385 units of unsubsidized affordable housing.

Improve the Health and Safety of Communities and Families

Communities must be safe to be desirable places to live. CTED supports the health and safety of communities and families through its support of comprehensive planning, infrastructure funding, programs to assist local law enforcement, crime victims assistance, and other programs. Assisting local governments in ensuring that communities have safe drinking water by restoring and maintaining water systems is critical. A \$15 million investment for CTED to support rehabilitating failing water systems is requested.

Water System Acquisition and Rehabilitation Program (WSARP)

\$15 million Public Works Trust (Fund 058) and 0.5 FTE

WSARP provides funding to support the efforts of local governments to acquire and rehabilitate failing water systems. These grants will enhance the ability of hundreds of small water systems, which are struggling to meet the minimum state and federal requirements, to provide safe and reliable drinking water. Failed water systems put thousands of people at risk every day to water-borne diseases. Acquisition of failed or failing systems by well-managed neighboring public systems is the most cost effective method to fix many of these water systems.